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Egypt

COTTON AND PRODUCTS ANNUAL

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Report Highlights:

Total Cotton area and production in 2009/10 is forecasted to decline by 17 percent to 110,000 Hectares, due mainly to the declining profit margins for cotton. Exports are expected to decrease significantly to 100,000 bales, due to the world financial crisis coupled with competition from subsidized cotton producing countries. Imports are expected to increase to 420,000 bales.

Executive Summary:

Cotton area and production in 2009/2010 is forecasted to decline by 17 percent to 110,000 Hectares. Exports in 2009/08 are expected to decline sharply from the previous year. This is mainly due to the declining profit margins for cotton compared with other crops such as rice and corn. Exports for 2008/09 are expected to decline dramatically to 100,000 bales as a result of lost price competitiveness coupled with the world recession. Imports are forecasted to increase by about eight percent.

Commodities:

Production:

In an attempt to promote the usage of Egyptian cotton, the government allocated LE 325 million (\$ 58 million) for the textile industry sector. On April 8, 2009 the Minister of Trade & Industry announced that the government would pay LE 2.72 (\$0.50) per kg of yarn produced from Egyptian cotton. This step was taken in order to make yarn produced from Egyptian cotton more competitive with imported yarn. However, the impact of this announcement is not expected to be sufficient enough to affect farmer's decision to plant less cotton.

Cotton area and production in 2009/2010 are forecast to decrease by 17 percent from 2008/2009 levels. This substantial decrease is mainly due to the declining profit margins for cotton, resulting from the increased costs of cotton production. This has influenced farmers to replace some cotton areas with other more lucrative crops such as corn and rice.

In 2009/2010, approximately 20 percent of the total cotton crop is expected to be extra long staple (ELS) varieties (staple lengths of 1 3/8 inches and above), about 2 percent less than the previous season. The only ELS varieties are now Giza 88 and Giza 86. The remainder of the crop is comprised of long staple (LS) varieties (staple lengths of 1 1/4 inches): Giza 80 and Giza 90. Every year the government specifies certain varieties of cotton for each growing region, and farmers are obligated to cultivate those varieties according to their respective areas. The Ministry of Agriculture continues to be the sole distributor of cottonseed.

Consumption:

Until a few years ago, the textile industry's annual requirement for raw cotton averaged between 1.2 and 1.4 million bales. However, in 2009/2010, total use is projected at 900,000 bales. This decrease mainly results from the continued loss of competitiveness and financial difficulties faced by the local textile companies, plus the relatively high prices of local cotton compared to imported short staple cotton. Approximately 60 percent of total cotton consumption, or 560,000 bales, is imported cotton, mainly from Greece and Sudan due to lower prices as compared to locally produced cotton.

Imported cotton is used in the production of coarse count fabrics (Ne 20/1 to Ne 30/1), which are used for shirts, knitwear and towels. Textile and garment exporters also import fabric from cheaper sources such as Syria, Pakistan and India. This is done under the temporary admission system for imports, which allows manufacturers to import their inputs duty free provided that the end products are exported.

Trade:

Exports in 2008/09 are expected to decline dramatically and reach 100,000 bales, from 619,000 bales in the previous year. This expected sharp decrease in exports is a direct result of the world financial crisis and recession affecting the textile industry. Most textile mills are using low quality imported cotton in order to be more competitive in the market. In addition the Egyptian extra long staple cotton continues to lose its price competitiveness in the world cotton market due to severe competition from other subsidized sources.

Cotton imports in 2008/2009 season are forecasted to increase by about eight percent over the 2007/08 level and are expected to reach 420,000 bales. With about 52 percent of total cotton imports Greece continues to dominate the Egyptian cotton import market. The import price for Greek cotton is reported to be \$0.76 per pound C&F, including fumigation at the loading port. The rest is imported mostly from Sudan. In 2008/09 Egypt imported 51,000 bales of Acalla and Barakat cotton from Sudan at a reported price of \$ 0.54 per pound and \$0.75 per pound respectively. Imports for 2009/2010 are forecasted to increase slightly to 450,000 bales.

Currently imports of cotton are permitted from eight approved areas: Sudan, Syria, Greece, Uzbekistan, Turkmenistan, California and Arizona with other U.S states in addition to California and Arizona under consideration. To be approved an area must be shown to be boll weevil free. Post is currently working with the Egyptian government authorities (Plant Quarantine) and APHS in order to approve cotton imports from states in addition to California and Arizona. This will allow Egyptian mills to import greater quantities from the US. Short staple cotton is used in the production of coarse yarn, which most Egyptian textile mills use. Once the area has been checked and approved, cotton imports must be fumigated at port of loading under vacuum with methyl bromide, or if vacuum is not available, atmospheric fumigation at port of loading followed by a second fumigation at port of arrival under vacuum. Given international sensitivity about the use of methyl bromide (not normally approved for use in the EU), alternative chemicals are under investigation.

Stocks:

Stocks are expected to decrease in 2008/09 to 380,000 bales as production decreases. A further decrease in stocks is expected for 2009/2010.

Marketing:

At the beginning of the 2008/09 cotton harvesting season, cotton prices increased from the previous season's level. This was due to trader speculation for a good export season. However, due to the collapse of cotton exports, most farmers were not able to sell their cotton. Market prices for the 2008/09 season were reported at LE 870 (\$155) for Giza 86, LE 850 (\$152) for Giza 88 and LE 750 (\$134) for Giza 90. This compared to LE 650 (\$ 118) for Giza 86, LE 750 (\$136) for Giza 88, and LE 540 (\$98) for Giza 90 (prices are per kantar of 50 kg) in 2007/08.

Source: Alexandria Cotton Exporters' Association

Production, Supply and Demand Data Statistics:

Cotton	Egypt	2007			2008			2009	
		2007/2008			2008/2009			2009/2010	
		Market Year Begin: Aug 2007			Market Year Begin: Aug 2008			Market Year Begin: Aug 2009	
		Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed	
				Data			Data		Jan Data
Area Planted		0	0	0	0	0	0		0
Area Harvested		240	231	231	130	200	133		110
Beginning Stocks		803	734	734	661	736	518		380
Production		1,000	970	970	475	840	483		400
Imports		450	114	390	450	120	420		450

MY Imports from U.S.	0	0	0	0	0	13		15
Total Supply	2,253	1,818	2,094	1,586	1,696	1,421		1,230
Exports	629	372	619	250	600	100		150
Use	950	690	937	800	750	921		900
Loss	13	20	20	13	15	20		15
Total Dom. Cons.	963	710	957	813	765	941		915
Ending Stocks	661	736	518	523	331	380		165
Total Distribution	2,253	1,818	2,094	1,586	1,696	1,421		1,230

Source: Alexandria Cotton Exporters' Association & Ministry of Agriculture

Export Trade Matrix Cotton U S Bales			
Time Period	2007	Units:	2008
Exports for:			
U.S.	8.205	U.S.	0
Others		Others	
India	104	India	211
Pakistan	55	Pakistan	169
Italy	29	Emirates	42
China	27	China	32
Turkey	23	Turkey	31
Emirates	21	Switzerland	19
Switzerland	17	Italy	18
Brazil	16	S.Korea	15
S.Korea	15	Germany	12
Portugal	11	Qatar	10
Total for Others	318		559
Others not Listed	38.066		60
Grand Total	437.375		619

Source: Alexandria Cotton Exporters' Association